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UNCLAS WARSAW 01632

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ACTION: ECON  
INFO: ADM MGT ORA FCS POL DCM AMB PAS

DISSEMINATION: ECOX  
CHARGE: PROG

APPROVED: ECON:LGRIESMER  
DRAFTED: ECON:MSKWARCZEK/AJAR  
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UNCLAS SECTION 01 OF 03 WARSAW 001632

SIPDIS

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SUBJECT: Poland: Frank Mermoud's Visit

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SUMMARY  
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¶1. (SBU) Frank Mermoud, Special Representative for Commercial and Business Affairs, visited Warsaw July 14 to urge the Polish government to change its position on the 13% reduction in reimbursement prices for imported drugs that became effective July ¶1. Other topics discussed included energy security, European integration and the Poland-U.S. bilateral economic relationship. Mermoud advocated that Poland take a bolder approach to energy supply diversification and look to alternative energy sources. He suggested that Poland turn to the private sector, including U.S. companies, for energy diversification. End Summary.

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Ministry of Health  
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¶2. (SBU) At the Ministry of Health, Mr. Mermoud met with Deputy Minister Boleslaw Piecha, Piotr Blaszczyk, the Director of the Drug Policy Department and Zbigniew Niewojt, Chief Pharmaceutical Inspector. Mermoud began by discussing U.S. dismay at the recently enacted 13% reduction in the reimbursement prices of imported drugs and asked the Deputy Minister to cancel these price cuts. He also reminded Piecha of the promise Minister Religa made to Secretary of Commerce Gutierrez at a meeting in Warsaw earlier this year to maintain a dialogue with industry, which had not happened.

¶3. (SBU) Piecha assured Mermoud that he has maintained a dialogue with industry and said that he would set up an additional meeting

with the American pharmaceutical companies in order to discuss the price cuts and expansion of the reimbursement list directly. In the interim, Piecha said that he did not have the authority to cancel the price cuts because a decision to change the ordinance would require all of the ministries' input and agreement. He explained that the reason for the price reductions in the first place was to free up funds in order to raise salaries of healthcare workers and to place more innovative drugs on the reimbursement list. Piecha also described in detail planned changes in Poland's reimbursement policy including increased transparency and efficiency and the addition of even more R&D drugs to the reimbursement list.

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Ministry of Economy  
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14. (SBU) At the Ministry of Economy, Mermoud met with Andrzej Kaczmarek, Deputy Minister of Economy, Cezariusz Kwaterski, Director of the Department of Bilateral International Cooperation, Zofia Schnitzer, a specialist in the same department, Zbigniew Barszcz, a specialist at the Department of Economic Development and Wojciech Szelagowski, Vice President of the Polish Information and Foreign Investment Agency. Kaczmarek stated that Poland is interested in cooperation with U.S. companies in the field of clean coal technologies as it is rich in coal and anticipates utilizing coal as a its main source of electric power production in the future. Poland is also interested in joining the Coal Sequestration Forum. During the upcoming US-EU Summit, Poles hope to have meetings with American companies to convince them to participate in projects including an LNG terminal and the Odessa-Brody-Plock pipeline.

15. (SBU) Kaczmarek was aware of the reduction of reimbursement prices on imported drugs but said that he did not have the authority to significantly influence the government on this issue, citing the Ministry of Health as the point of contact. He emphasized that Poland wants to maintain a good business relationship with the U.S. In regards to the Caterpillar issue, Kaczmarek said that the new Energy Bill that will take effect in 2007 will help solve the controversy. Addressing the AIG real estate development issue, Kaczmarek said that any potential decisions would be made by the local government in Raszyn. He was frustrated that the central government could not do more to solve the problem.

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Ministry of Foreign Affairs  
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16. (SBU) At the Ministry of Foreign Affairs, Mermoud met with Beata Kolecka, Deputy Director of the Department of the European Union. Kolecka enumerated Poland's priorities in its bilateral relationship with the U.S. as energy security, the Balkans, the WTO and changing the current non-immigrant visa regime.

17. (SBU) Kolecka stated that the diversification of energy sources was a priority for Poland and emphasized the need for transparency. She urged the U.S. government to press for equal treatment, transparency and ratification of the energy charter and transit protocol at the G-8 summit. Kolecka stated that EU cooperation on energy security issues should also be extended to other Eastern European countries, notably Ukraine. She mentioned several times that Poland and the EU are very interested in keeping Ukraine part the European sphere of influence and do not want to see it cooperating closely with Russia. Mermoud echoed this sentiment. When Mermoud asked about the recent Ministry of Health price cuts on imported drugs, Kolecka was unaware of the problem but agreed that all pharmaceutical companies should be treated equally under the law. She assured Mermoud that she would follow up with the Ministry of Health to attain additional information. At the end of the meeting, Kolecka raised the issue of the US-EU Passenger Name Record (PNR) agreement.

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Polish Confederation of Private Employers Lewiatan  
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18. (SBU) Janusz Kaczurba, an advisor on international relations to the Polish Confederation of Private Employers, Lewiatan, and former Minister of Finance also met with Mermoud. Kaczurba explained that populism in Poland is on the rise and that organizations like Lewiatan are vital in counteracting the trend by supporting liberal ideas. Kaczurba is concerned that a booming economy will put pressure on the GOP to increase social transfers, asserting that

excessive social spending can be detrimental to the budget and the economy. Asked about the revised Lisbon Agenda, Kaczurba said that Lewiatan is determined to work actively with the current government on implementing the Agenda in Poland, especially in the area of innovation. A recent survey carried out by Lewiatan found that innovation is at the bottom of the list of priorities for Polish businesses.

¶9. (SBU) Kaczurba believes a more flexible labor law in Poland is needed, but is not sure the current government will take up the challenge. Kaczurba supports introducing labor laws that emulate those found in other EU countries. Lewiatan is also interested in exchanging best practices with the U.S. on management techniques and labor relations, especially in medium-sized companies. Mermoud suggested organizing a seminar between Polish and U.S. partners on topics such as technological development, management practices and trade issues.

¶10. (SBU) At the end of the meeting Mermoud promised to introduce Lewiatan to the Council of Competitiveness as the first step towards developing a relationship between the two institutions. Both sides agreed that it would be worthwhile to encourage Polish officials to visit business organizations in the U.S., with the Chicago Executive Club being named as a good starting point.

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Department of Economic and Social Analysis, Office of European  
Integration  
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¶11. (SBU) Piotr Serafin, Director of the Department of Economic and Social Analysis of the Office for European Integration and Jan Hofmokl, an expert from the same department also met with Mermoud. Serafin explained that at the request of the League of Polish Families, the Office for European Integration prepared a report on the costs and benefits of Poland's membership in the EU for the period May 2004-May 2006. The report shows that the Polish economy benefited from joining the EU as exports are rising, the Zloty remains strong and foreign investment has increased. The sector which appears to have benefited most from EU accession is agriculture. Hofmokl observed that during the two years of EU membership, Poland's trade has increased faster with its eastern neighbors (Russia and Ukraine) and with other Visegrad countries than with the West. Nevertheless, Germany still remains Poland's main trade partner.

¶12. (SBU) Serafin noted that energy diversification is the obvious course for Poland and that the involvement of U.S. companies in energy security planning is a good idea. He added that Poland made a mistake by taking the energy security issue outside of the EU at the March 2006 summit.

With regard to absorption of EU funds, Serafin believes it is necessary to wait a few more months for an accurate assessment of the situation. Currently he observes a huge demand for funds from local governments and NGOs. The quality of the projects has improved, with about 80% of submitted projects receiving a positive assessment. In addition, local and regional authorities are doing well regarding spending of EU funds. However, problems remain with large infrastructure projects and it is estimated that only 0.01% of funds have been spent on them.

¶13. (SBU) Special Representative for Commercial and Business Affairs Mermoud cleared on this cable.

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